

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL REPORT**

66-1090

**TOWNSHIP OF ONTONAGON  
(<sup>CO</sup>ONTONAGON, MICHIGAN**

**March 31, 2004**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF ONTONAGON	County ONTONAGON
Audit Date MARCH 31, 2004	Opinion Date SEPTEMBER 17, 2004	Date Accountant Report Submitted to State: SEPTEMBER 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ yes ☐ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) JOKI, MAKELA & POLLACK, P.L.L.C.			
Street Address 301 N. SUFFOLK ST.		City IRONWOOD	State MI
Accountant Signature Dean Beaudoin CPA		ZIP 49938	

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JOKI, MAKELA & POLLACK, P.L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.  
W. J. JOKI, C.P.A.  
A. R. POLLACK, C.P.A., C.S.E.P.  
MEMBERS

TELEPHONE  
906-932-4430  
FAX  
906-932-0677  
EMAIL  
jmp@ironwoodcpa.com

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Township of Ontonagon  
Ontonagon, Michigan

We have audited the accompanying general purpose financial statements of Township of Ontonagon and its combining and individual fund financial statements as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include a general fixed assets group of accounts, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be included in the general fixed assets group of accounts is not known.

In our opinion, except for the effect on the financial statements of the omission described in the third paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Township of Ontonagon as of March 31, 2004, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Township of Ontonagon as of March 31, 2004, and the results of operations of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, on our consideration of Township of Ontonagon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Joki, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
September 17, 2004

GENERAL  
PURPOSE  
FINANCIAL  
STATEMENTS

# COMBINED BALANCE SHEET - ALL FUND TYPES

## TOWNSHIP OF ONTONAGON, MICHIGAN

March 31, 2004

	<u>Governmental Fund Types</u>		Fiduciary	Totals
	General	Special Revenue	Fund Type	(Memorandum Only)
<b>ASSETS</b>				
Cash	\$ 49,217	\$ 184,555	\$ 0	\$ 233,772
Delinquent taxes receivable	7,886			7,886
Due from other governmental unit	1,174			1,174
Due from other funds	8,648	10,000		18,648
Note receivable from non-profit corporation		55,000		55,000
	<u>\$ 66,925</u>	<u>\$ 249,555</u>	<u>\$ 0</u>	<u>\$ 316,480</u>

### LIABILITIES AND FUND BALANCE

<b>Liabilities:</b>				
Due other governmental unit	\$ 15,013		\$ 0	\$ 15,013
Due to other funds		\$ 18,648		18,648
Deferred revenue	7,886			7,886
<b>TOTAL LIABILITIES</b>	<b>\$ 22,899</b>	<b>\$ 18,648</b>	<b>\$ 0</b>	<b>\$ 41,547</b>
<b>Fund balance:</b>				
Unreserved	\$ 44,026	\$ 175,907		\$ 219,933
Reserved		55,000		55,000
	<u>\$ 44,026</u>	<u>\$ 230,907</u>		<u>\$ 274,933</u>
	<u>\$ 66,925</u>	<u>\$ 249,555</u>	<u>\$ 0</u>	<u>\$ 316,480</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2004

	<u>Governmental Fund Types</u>		Totals
	General	Special Revenue	(Memorandum Only)
Revenues:			
Taxes	\$ 82,805		\$ 82,805
Licenses and permits	4,885		4,885
State grants	93,750	\$ 2,658	96,408
Federal grants	5,260		5,260
Fines and forfeits		36,042	36,042
Charges for services		52,140	52,140
Interest		4,678	4,678
Other revenue	<u>24,316</u>	<u>2,298</u>	<u>26,614</u>
TOTAL REVENUES	\$ 211,016	\$ 97,816	\$ 308,832
Expenditures:			
Current:			
Legislative	\$ 24,039		\$ 24,039
General government	90,623		90,623
Public safety	24,909		24,909
Public works	15,013		15,013
Recreation and culture	11,800	\$ 110,313	122,113
Other functions	16,649	347	16,996
Capital outlay	<u>1,344</u>	<u>22,910</u>	<u>24,254</u>
TOTAL EXPENDITURES	\$ <u>184,377</u>	\$ <u>133,570</u>	\$ <u>317,947</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 26,639	\$ (35,754)	\$ (9,115)
Other financing source (use) - operating transfers in (out)	<u>(23,731)</u>	<u>23,731</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER FINANCING USE	\$ 2,908	\$ (12,023)	\$ (9,115)
Fund balance at April 1, 2003	<u>41,118</u>	<u>242,930</u>	<u>284,048</u>
FUND BALANCE AT MARCH 31, 2004	<u><u>\$ 44,026</u></u>	<u><u>\$ 230,907</u></u>	<u><u>\$ 274,933</u></u>

The accompanying notes are an integral part of the financial statements.



# COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

TOWNSHIP OF

Year ended

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 84,546	\$ 82,805	\$ (1,741)
Licenses and permits	4,885	4,885	
State grants	93,714	93,750	36
Federal grants	5,150	5,260	110
Fines and forfeits			
Charges for services			
Interest			
Other revenue	<u>38,765</u>	<u>24,316</u>	<u>(14,449)</u>
TOTAL REVENUES	\$ 227,060	\$ 211,016	\$ (16,044)
Expenditures:			
Current:			
Legislative	\$ 21,688	\$ 24,039	\$ (2,351)
General government	90,867	90,623	244
Public safety	26,900	24,909	1,991
Public works	15,013	15,013	
Recreation and culture	11,800	11,800	
Other functions	22,144	16,649	5,495
Capital outlay	<u>350</u>	<u>1,344</u>	<u>(994)</u>
TOTAL EXPENDITURES	\$ <u>188,762</u>	\$ <u>184,377</u>	\$ <u>4,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 38,298	\$ 26,639	\$ (11,659)
Other financing source (use) - operating transfers in (out)	<u>(24,000)</u>	<u>(23,731)</u>	<u>269</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER FINANCING USE	\$ 14,298	\$ 2,908	\$ (11,390)
Fund balance at April 1, 2003	<u>41,118</u>	<u>41,118</u>	
FUND BALANCE (DEFICIT) AT MARCH 31, 2004	\$ <u>55,416</u>	\$ <u>44,026</u>	\$ <u>(11,390)</u>

The accompanying notes are an integral part of the financial statements.

BALANCE AND COMPARISON WITH BUDGET - ALL GOVERNMENTAL FUND TYPES

ONTONAGON, MICHIGAN

March 31, 2004

<u>Special Revenue Funds</u>		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,600	\$ 2,658	\$ (942)
36,041	36,042	1
34,500	52,140	17,640
400	4,678	4,278
<u>2,550</u>	<u>2,298</u>	<u>(252)</u>
\$ 77,091	\$ 97,816	\$ 20,725
\$ 105,517	\$ 110,313	\$ (4,796)
	347	(347)
<u>12,750</u>	<u>22,910</u>	<u>(10,160)</u>
\$ <u>118,267</u>	\$ <u>133,570</u>	\$ <u>(15,303)</u>
\$ (41,176)	\$ (35,754)	\$ 5,422
<u>24,000</u>	<u>23,731</u>	<u>(269)</u>
\$ (17,176)	\$ (12,023)	\$ 5,153
<u>242,930</u>	<u>242,930</u>	
<u>\$ 225,754</u>	<u>\$ 230,907</u>	<u>\$ 5,153</u>

NOTES  
TO  
FINANCIAL  
STATEMENTS

NOTES TO FINANCIAL STATEMENTS  
TOWNSHIP OF ONTONAGON, MICHIGAN

March 31, 2004

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Ontonagon operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units, except that a general fixed assets group of accounts is not included. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation - Fund Accounting

The Township uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

GOVERNMENTAL FUND TYPES

General Fund - is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Special Revenue Funds - are used by the Township to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Presentation - Fund Accounting (Continued)

##### FIDUCIARY FUND TYPES

Agency Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. These funds are custodial in nature and do not involve measurement of results of operations.

#### Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due. The Township has no long-term debt.

#### Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year.

#### Receivables

Credit has been extended to one non-profit corporation and is accounted for in the Special Revenue Fund.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Deferred Revenue

Deferred revenues (a liability) are recorded to present the uncollected portion of property taxes levied.

#### Reserved Fund Balance

Special Revenue Fund fund balance is reserved for the long-term portion of note receivable.

#### Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a deferred revenue on December 1; the property taxes are then recognized as revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County. The Township bills and collects its own property taxes and also collects current rolls for the County, Intermediate School District, Local School District and Village of Ontonagon Downtown Development Authority (DDA). Local and Intermediate school taxes are levied on July 1; Township, County and Village DDA taxes are levied on December 1. One taxpayer accounts for approximately 21 percent of the tax roll of the Township.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Total Columns on Combined Financial Statements - Overview

Total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE B - CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or in a local credit union insured by the national credit union administration. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2004, total cash as reported by banks and credit union amounted to \$558,229, of which \$232,544 was covered by depository insurance, and \$325,685 exceeded coverage limits.

## NOTE C - OPERATING TRANSFERS IN (OUT)

The details of operating transfers in (out) are as follows:

	<u>Operating Transfer</u>	
	<u>In</u>	<u>Out</u>
General Fund	\$ 269	\$ 24,000
Special Revenue Funds:		
Library	\$ 20,000	
Park	4,000	
Liquor Law Enforcement		\$ 269
	\$ 24,000	\$ 269

## NOTE D - PROPERTY TAXES

A summary of the 2003 tax roll follows:

<u>Taxing Unit</u>	<u>Mills</u>	<u>Spread</u>	<u>Delinquent</u>	<u>Collected</u>
County	12.4956	\$ 696,748	\$ 61,396	\$ 635,352
State education tax	5.0000	273,441	15,724	257,717
Local school	17.9208	551,424	30,070	521,354
School bond	3.6000	196,935	11,350	185,585
Intermediate school	3.4100	186,461	10,722	175,739
Township	0.9987	51,442	4,306	47,136
TOTALS	<u>43.4251</u>	<u>\$ 1,956,451</u>	<u>\$ 133,568</u>	<u>\$ 1,822,883</u>
Taxable valuation (exclusive of industrial facilities tax roll)				<u>\$ 54,799,364</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE E - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Township did not have a deficit in any fund as of March 31, 2004.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township had actual expenditures in excess of budgeted expenditures in its General Fund and Special Revenue Funds in certain budgetary functions.

NOTE F - PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the year ended March 31, 2004, follows:

Receipts from charging administrative fee	\$ 31,573
Cost incurred	<u>37,624</u>
Excess of costs	<u>\$ (6,051)</u>

NOTE G - ECONOMIC DEVELOPMENT FUND

Note Receivable – Non-profit Corporation

On February 22, 2002, the Township entered into a loan agreement with a non-profit corporation in accordance with the Township's revolving loan fund policy, as amended. The loan was in the amount of \$70,000 with an interest rate of 3% annually. Principal payments of \$10,000 a year are due each July 1 beginning on July 1, 2003. Interest payments are due semi-annually beginning July 1, 2002 until July 1, 2009, at which time the remaining outstanding principal balance and any accrued interest is to be paid in full.

The loan is collateralized with a security interest in theater seats owned by the corporation and stage rigging and lighting equipment, which were to be purchased with the loan proceeds according to the agreement. There is no penalty for early payment of principal and interest. The outstanding balance of the loan was \$55,000 at March 31, 2004. Fund balance of the Development Fund is reserved for \$55,000 for the long-term portion of the loan not yet collected.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE H - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$3,000,000 per occurrence and a \$5,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General and Special Revenue Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2004, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### NOTE I - STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2004, the Township collected construction code service fees of \$4,885 and spent \$13,547 for enforcing the construction code. Because the fee structure is not intended to recover the full cost of enforcing the code and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

### NOTE J - PARK FUND CONSTRUCTION PROJECT

On January 22, 2004, the Park Fund awarded a construction contract for water and sewer construction at the Township Park. Construction and engineering costs are expected to total approximately \$119,000. The Township's Economic Development Fund will loan the Park Fund \$119,000 to finance the project. Construction started in April 2004 and is expected to be completed by the Fall of 2004, at which time the terms of the loan will be finalized.

COMBINING AND  
INDIVIDUAL FUND  
FINANCIAL STATEMENTS

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2004

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes	\$ 50,000	\$ 47,136	\$ (2,864)
Commercial forest reserve	2,000	2,236	236
Delinquent property taxes	6,500	5,940	(560)
Swamp taxes	6,119	6,119	
Penalties and interest	2		(2)
Property tax administrative fee	<u>19,925</u>	<u>21,374</u>	<u>1,449</u>
	\$ 84,546	\$ 82,805	\$ (1,741)
Licenses and permits	4,885	4,885	
State grants:			
Shared revenues	\$ 81,004	\$ 81,004	
Arts and cultural grant	11,800	11,800	
Other	<u>910</u>	<u>946</u>	<u>\$ 36</u>
	\$ 93,714	\$ 93,750	\$ 36
Federal grants - National forest	5,150	5,260	110
Other revenue:			
Reimbursements	\$ 35,000	\$ 14,117	\$ (20,883)
Summer tax collection	<u>3,765</u>	<u>10,199</u>	<u>6,434</u>
	<u>\$ 38,765</u>	<u>\$ 24,316</u>	<u>\$ (14,449)</u>
TOTAL REVENUES	\$ 227,060	\$ 211,016	\$ (16,044)
Other financing source - operating transfer in from Liquor Law Enforcement Fund	<u></u>	<u>269</u>	<u>269</u>
TOTAL REVENUES AND OTHER FINANCING SOURCE	<u>\$ 227,060</u>	<u>\$ 211,285</u>	<u>\$ (15,775)</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2004

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries	\$ 1,800	\$ 1,680	\$ 120
Office supplies	8,700	9,518	(818)
Professional and contractual services	9,500	11,148	(1,648)
Transportation	92	92	
Dues and memberships	1,051	1,106	(55)
Publishing	545	495	50
TOTAL LEGISLATIVE	\$ 21,688	\$ 24,039	\$ (2,351)
GENERAL GOVERNMENT			
Supervisor - salary	\$ 4,000	\$ 4,000	
Election:			
Salaries	\$ 1,200	\$ 1,183	\$ 17
Supplies	34	34	
	\$ 1,234	\$ 1,217	\$ 17
Assessor:			
Salary	\$ 21,322	\$ 21,322	
Supplies	953	953	
Transportation	146	146	
	\$ 22,421	\$ 22,421	\$ 0
Clerk - salary	12,283	11,983	300
Treasurer:			
Salary	\$ 12,498	\$ 12,491	\$ 7
Supplies		620	(620)
	\$ 12,498	\$ 13,111	\$ (613)
Board of review - salaries	405	739	(334)
Town hall and property:			
Salaries	\$ 13,683	\$ 13,849	\$ (166)
Repairs and maintenance	193	220	(27)
Professional and contractual services	3,417	2,063	1,354
Communications	2,192	2,402	(210)
Insurance	8,585	8,585	
Utilities	9,956	10,033	(77)
	\$ 38,026	\$ 37,152	\$ 874
TOTAL GENERAL GOVERNMENT	\$ 90,867	\$ 90,623	\$ 244

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -  
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>PUBLIC SAFETY</b>			
Liquor law enforcement	\$ 250	\$ 276	\$ (26)
Fire protection - contracted services	12,680	11,086	1,594
Zoning board:			
Salaries	\$ 8,967	\$ 8,760	\$ 207
Transportation	2,803	2,587	216
Contracted services	<u>2,200</u>	<u>2,200</u>	
	<u>\$ 13,970</u>	<u>\$ 13,547</u>	<u>\$ 423</u>
<b>TOTAL PUBLIC SAFETY</b>	<b>\$ 26,900</b>	<b>\$ 24,909</b>	<b>\$ 1,991</b>
<b>PUBLIC WORKS - Highways and streets</b>	<b>15,013</b>	<b>15,013</b>	
<b>RECREATION AND CULTURE -</b>			
Theater - grant distribution	11,800	11,800	
<b>OTHER FUNCTIONS</b>			
Insurance and bonds	\$ 4,144	\$ 2,545	\$ 1,599
Employer's share of social security and unemployment costs	13,000	14,004	(1,004)
Delinquent taxes	5,000		5,000
Miscellaneous	<u></u>	<u>100</u>	<u>(100)</u>
<b>TOTAL OTHER FUNCTIONS</b>	<b>\$ 22,144</b>	<b>\$ 16,649</b>	<b>\$ 5,495</b>
<b>CAPITAL OUTLAY</b>			
Township board	<u>350</u>	<u>1,344</u>	<u>(994)</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 188,762</b>	<b>\$ 184,377</b>	<b>\$ 4,385</b>
Other financing use - operating transfers to other funds	<u>24,000</u>	<u>24,000</u>	
<b>TOTAL EXPENDITURES AND OTHER FINANCING USE</b>	<b><u>\$ 212,762</u></b>	<b><u>\$ 208,377</u></b>	<b><u>\$ 4,385</u></b>

The accompanying notes are an integral part of the financial statements.

# COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

## TOWNSHIP OF ONTONAGON, MICHIGAN

March 31, 2004

	Library	Park	Liquor Law Enforcement	Economic Development	Total
ASSETS					
Cash	\$ 12,928	\$ 24,026		\$ 147,601	\$ 184,555
Due from other fund				10,000	10,000
Note receivable from non-profit corporation				55,000	55,000
	<u>\$ 12,928</u>	<u>\$ 24,026</u>	<u>\$ 0</u>	<u>\$ 212,601</u>	<u>\$ 249,555</u>

## LIABILITIES AND FUND BALANCE

Liabilities - Due to other funds	\$ 3,398	\$ 15,250			\$ 18,648
Fund balance:					
Unreserved	\$ 9,530	\$ 8,776	\$ 0	\$ 157,601	\$ 175,907
Reserved for long-term portion of note receivable				55,000	55,000
	<u>\$ 9,530</u>	<u>\$ 8,776</u>	<u>\$ 0</u>	<u>\$ 212,601</u>	<u>\$ 230,907</u>
	<u>\$ 12,928</u>	<u>\$ 24,026</u>	<u>\$ 0</u>	<u>\$ 212,601</u>	<u>\$ 249,555</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
SPECIAL REVENUE FUNDS

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2004

	Library	Park	Liquor Law Enforcement	Economic Development	Total
<b>REVENUES</b>					
State grants	\$ 2,390		\$ 268		\$ 2,658
Fines and forfeits	36,042				36,042
Sales and charges for services	4,674	\$ 47,466			52,140
Interest	329	246	1	\$ 4,102	4,678
Other revenue	<u>2,275</u>	<u>23</u>			<u>2,298</u>
	\$ 45,710	\$ 47,735	\$ 269	\$ 4,102	\$ 97,816
<b>EXPENDITURES</b>					
Current - Recreation and culture	\$ 67,040	\$ 43,273			\$ 110,313
Other				\$ 347	347
Capital outlay		<u>22,910</u>			<u>22,910</u>
	<u>\$ 67,040</u>	<u>\$ 66,183</u>	<u>\$ 0</u>	<u>\$ 347</u>	<u>\$ 133,570</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	\$ (21,330)	\$ (18,448)	\$ 269	\$ 3,755	\$ (35,754)
Other financing source (use) - operating transfers in (out)	<u>20,000</u>	<u>4,000</u>	<u>(269)</u>		<u>23,731</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER FINANCING USE</b>					
	\$ (1,330)	\$ (14,448)	\$ 0	\$ 3,755	\$ (12,023)
Fund balance at April 1, 2003	<u>10,860</u>	<u>23,224</u>	<u>0</u>	<u>208,846</u>	<u>242,930</u>
<b>FUND BALANCE AT MARCH 31, 2004</b>	<u><u>\$ 9,530</u></u>	<u><u>\$ 8,776</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 212,601</u></u>	<u><u>\$ 230,907</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES AND EXPENDITURES AND COMPARISON  
WITH BUDGET - LIBRARY FUND

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State grants	\$ 3,600	\$ 2,390	\$ (1,210)
Penal fines	36,041	36,042	1
Sales and charges for services	4,500	4,674	174
Interest	400	329	(71)
Other revenue:			
Fees	500	557	57
Fines	600	1,016	416
Donations and other	<u>1,450</u>	<u>702</u>	<u>(748)</u>
	\$ 47,091	\$ 45,710	\$ (1,381)
Expenditures:			
Current:			
Recreation and culture:			
Salaries and fringes	\$ 38,000	\$ 36,941	\$ 1,059
Office supplies	2,300	1,824	476
Communications	1,556	1,590	(34)
Professional services and contracts	4,500	6,357	(1,857)
Transportation	850	784	66
Repairs and maintenance		871	(871)
Books and subscriptions	18,000	18,587	(587)
Miscellaneous	135	86	49
Capital outlay	<u>1,750</u>		<u>1,750</u>
	\$ 67,091	\$ 67,040	\$ 51
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (20,000)	\$ (21,330)	\$ (1,330)
Other financing source - transfer in from General Fund	<u>20,000</u>	<u>20,000</u>	
(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ (1,330)</u>	<u>\$ (1,330)</u>

The accompanying notes are an integral part of the financial statements.



STATEMENT OF REVENUES AND EXPENDITURES AND COMPARISON  
WITH BUDGET - PARK FUND

TOWNSHIP OF ONTONAGON, MICHIGAN

Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services - park fees	\$ 30,000	\$ 47,466	\$ 17,466
Interest		246	246
Other		<u>23</u>	<u>23</u>
	\$ 30,000	\$ 47,735	\$ 17,735
Expenditures:			
Current:			
Recreation and culture:			
Salaries and fringes	\$ 26,000	\$ 25,967	\$ 33
Supplies	4,576	3,513	1,063
Contracted services	2,000	3,155	(1,155)
Repairs and maintenance	1,200	2,522	(1,322)
Miscellaneous	500	969	(469)
License and fees	300	150	150
Public utilities	5,600	6,209	(609)
Park improvements		788	(788)
Capital outlay	<u>11,000</u>	<u>22,910</u>	<u>(11,910)</u>
	\$ 51,176	\$ 66,183	\$ (15,007)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (21,176)	\$ (18,448)	\$ 2,728
Other financing source - transfer in from General Fund	<u>4,000</u>	<u>4,000</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES	<u>\$ (17,176)</u>	<u>\$ (14,448)</u>	<u>\$ 2,728</u>

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF CHANGES IN ASSETS

TOWNSHIP OF

Year ended

	Balance at April 1, 2003	<u>Trust and Agency</u>		Balance at March 31, 2004
		Additions	Deductions	
ASSETS				
Cash in bank	<u>\$ 0</u>	<u>\$ 34,532</u>	<u>\$ 34,532</u>	<u>\$ 0</u>
LIABILITIES				
Due General Fund	\$ 0			\$ 0
Due to other units of government:				
Ontonagon County				
State of Michigan	0	\$ 5,086	\$ 5,086	0
Federal government	0	28,603	28,603	0
Others	<u>0</u>	<u>843</u>	<u>843</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 34,532</u>	<u>\$ 34,532</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the  
financial statements.

AND LIABILITIES - FIDUCIARY FUNDS

ONTONAGON, MICHIGAN

March 31, 2004

Balance at April 1, 2003	<u>Tax Collection</u>		Balance at March 31, 2004
	Additions	Deductions	
<u>\$ 6</u>	<u>\$ 1,961,471</u>	<u>\$ 1,961,477</u>	<u>\$ 0</u>
\$ 0	\$ 74,014	\$ 74,014	\$ 0
0	930,243	930,243	0
<u>6</u>	<u>957,214</u>	<u>957,220</u>	<u>0</u>
<u>\$ 6</u>	<u>\$ 1,961,471</u>	<u>\$ 1,961,477</u>	<u>\$ 0</u>

SUPPLEMENTAL  
REPORT

**JOKI, MAKELA & POLLACK, P.L.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.  
W. J. JOKI, C.P.A.  
A. R. POLLACK, C.P.A., C.S.E.P.  
MEMBERS

TELEPHONE  
906-932-4430

FAX

906-932-0677

EMAIL

jmp@ironwoodcpa.com

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board  
Township of Ontonagon  
Ontonagon, Michigan

We have audited the general purpose financial statements of Township of Ontonagon as of and for the year ended March 31, 2004, and have issued our report thereon dated September 17, 2004. The general purpose financial statements do not include a general fixed assets group of accounts, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed asset account group is not known. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Ontonagon's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Ontonagon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Township of Ontonagon's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described in the following paragraphs and were reported upon in prior years.

### General Fixed Assets

The Michigan Department of Treasury requires townships to record the cost of general fixed assets in the general fixed assets group of accounts. Fulfillment of this requirement involves inventorying land, buildings and equipment and assigning appropriate values to these assets. We recommend that the Board establish records of this nature and that values be determined for these assets.

### Michigan Public Act 621 of 1978

Michigan Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township had actual expenditures in excess of budgeted expenditures in its General and Special Revenue Funds in certain budgetary functions. We recommend that the Township review the requirements of Michigan Public Act 621 of 1978 and comply with those requirements in the future.

### Tax Collection Distributions

State of Michigan Public Acts require local units to distribute at least 90% of total tax collections on hand at February 28 to the County and School District treasurers by 10 business days after February 28. The Township did not make such distribution of the 2003 tax roll until March 25, 2004. We recommend the Township review the requirements of the Public Acts and make its future distributions in accordance therewith.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider only the General Fixed Asset reportable condition to be a material weakness.

This report is intended solely for the information and use of the Township Board, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Joki, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
September 17, 2004